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**DECISION**



**THE COMPTROLLER GENERAL  
OF THE UNITED STATES**  
WASHINGTON, D.C. 20548

FILE: B-201833

DATE: June 9, 1981

MATTER OF: Lashcon, Inc.

**DIGEST:**

Determination that bid price is not reasonable in relation to Government estimate is matter of administrative discretion which GAO will not question unless it is unreasonable or there is showing of bad faith or fraud. In light of agency's submission of detailed supporting evidence providing reasonable basis for estimate, we cannot say estimate was unreasonable. Fact that in response to original and readvertised IFB agency received bids substantially higher than Government estimate, standing alone, does not establish estimate was unreasonable.

Lashcon, Inc., formerly Lashmett Construction Company (Lashcon), questions the reasonableness of the Department of the Army, Corps of Engineers (Corps), estimate for invitation for bids (IFB) No. DACW43-80-B-0085. The solicitation was a readvertisement for an EDM Trilateration System Instrumentation and Evaluation Program at Clarence Cannon Dam and Reservoir.

In response to the original solicitation, IFB No. DACW43-80-B-0076, the Corps received only one bid which was over 90 percent higher than the Government estimate. Consequently, the bid was rejected and the work scheduled to be readvertised. Two bidders responded to the second IFB: Orvedahl Construction, Inc. (Orvedahl) - \$238,467, and Lashcon - \$455,260. Subsequent to bid opening, Orvedahl claimed a mistake in bid and, after submitting substantiating data, was permitted to withdraw its bid. At that time, Lashcon filed a protest with the Corps questioning the

*Notes: Questioning reasonableness of Government estimate for IFB*  
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reasonableness of the Government estimate (\$259,874). After a review of the estimate, the Corps revised the estimate upward by \$40,940, to \$300,814. Lashcon's bid was approximately 51.3 percent above the revised estimate. The Corps denied Lashcon's protest and was prepared to reject Lashcon's bid, cancel the IFB and readvertise the Trilateration Program, but Lashcon filed a protest with our Office.

It is Lashcon's position that the Government estimate was not prepared with the benefit of a thorough site inspection, is based on prior projects similar in nature but not similar in regard to surroundings and is not consistent concerning indirect costs. In addition, Lashcon points out that the original solicitation also resulted in bids greater than the Government estimate which means that the Government estimate is unreasonable.

The Corps in response to Lashcon's allegations advises that the estimators who reviewed the original Government estimate were personally very familiar with the work area and were involved in similar jobs near the trilateration sites of the IFB. In addition, the Corps states that the estimate was based on similar work at the Clarence Cannon Dam and Reservoir site. There was no reference to prior trilateration projects at other district locations. Furthermore, the application of indirect costs was, in the Corps' opinion, uniform.

Both parties, in addition to the aforementioned allegations, submitted a specific analysis of how each determined the dollar value for various bid items.

A determination that a bid price is not reasonable is a matter of administrative discretion which our Office will not question unless it is unreasonable or there is a showing of bad faith or fraud. The determination may be based upon comparison with a Government estimate, past procurement history, current market conditions, or any other relevant factors including any which may have been revealed by the bidding. In reviewing a contracting officer's exercise of his broad discretion in this area,

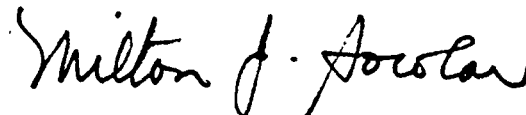
we have recognized the inexact nature of Government estimates. Schottel of America, Inc., B-190546, March 21, 1978, 78-1 CPD 220.

Lashcon has alleged errors in almost every item of the Government estimate. The arguments have remained unaltered from those posited prior to the Corps' review of the estimate and eventual upward revision. The Corps, in our opinion, has provided reasonable bases supporting the items of its estimate. In light of the detailed supporting evidence submitted by the Corps, we cannot say that the estimate was unreasonable.

In regard to Lashcon's contention that, since under both the original IFB and the readvertisement the Corps received bids substantially higher than the Government's estimate establishes that the estimate was unreasonable, we do not believe such a fact, standing alone, is sufficient evidence to establish the unreasonableness of the Government's estimate. To rule otherwise would permit Government estimates to be negated at any time a bidder's price was not in line with the estimate, merely by evolving a possible hypothesis which might explain its higher bid. C. J. Coakley Company, Inc., B-181057, July 23, 1974, 74-2 CPD 51. However, when such circumstances occur, the agency should be on notice of a possible error in its estimate, and should, as was done here, carefully review its estimate.

Based on the foregoing, we would have no objection to the Corps' rejection of Lashcon's bid, the cancellation of the IFB and the readvertisement of the program.

Lashcon's protest is denied.



Acting Comptroller General  
of the United States